

NEWS from the T&I DEMOCRATS

Committee on Transportation and Infrastructure, Democratic Caucus

U.S. House of Representatives, 2163 Rayburn HOB, Washington, DC 20515

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T&I Vote Eliminates Maritime Loophole *Oberstar praises passage of Taylor amendment To FY2007 Coast Guard Reauthorization*

WASHINGTON—The House Transportation and Infrastructure Committee today took a major step toward closing a tax loophole enjoyed by a single, Bermuda-based maritime service company.

During a mark-up of the Coast Guard Reauthorization bill for Fiscal Year 2007, the Committee, led by Ranking Democrat James L. Oberstar (Minn.) and other Democratic Members, approved an amendment offered by Rep. Gene Taylor (Miss.), to put an end to a special exemption for Nabors Industries. Nabors operates boats that shuttle people, supplies, and equipment to off-shore oil drilling platforms in the Gulf of Mexico.

U.S. maritime law, known as the Jones Act, requires that vessels carrying goods from point-to-point within the territorial waters of the United States be U.S.-owned, U.S.-registered, U.S.-built, and U.S.-crewed. Though doing business from Houston, Nabors is headquartered in Bermuda for tax purposes, allowing the company to reduce significantly the amount of taxes it pays to the U.S. government. The company has been operating under a temporary exemption from these Jones Act requirements for the past three years. Taylor's amendment removed language that would have made the exemption permanent.

"The bill as written would have allowed Nabors Industries to continue evading U.S. tax law. It would have given vessels operated by this company an unfair competitive advantage over U.S. companies that pay U.S. taxes," Oberstar said. "Nabors moved its headquarters offshore for one reason: to evade U.S. taxes. We should not reward such Benedict Arnold companies by validating their actions with a permanent tax exemption."

Nabors moved its headquarters to Bermuda in 2001, using a quirk in the law to continue operating as a U.S. company while reducing the amount of taxes it paid to the U.S. government by more than 90 percent. When Congress closed the loophole in 2004, Nabors received a three-year grace period to give the company time to comply with the new law. Language in the FY2007 Coast Guard reauthorization would have removed the deadline and allowed Nabors to operate permanently as it had under the pre-2004 law. The Taylor amendment deleted that language.

The FY 2007 Coast Guard Authorization bill now goes to the full House of Representatives.

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